



Beware of Unlicensed Health Plans

From the Office of Minnesota Attorney General Lori Swanson

Many people are struggling with the high cost of health care and skyrocketing health insurance premiums. Some companies seek out citizens who are looking for affordable health coverage and then scam them into buying non-insurance products from unlicensed companies that offer little benefits. Citizens should be wary of companies that offer health discount plans, prescription drug discount plans, home health or long-term care plans or other products that sound affordable but provide little, if any, benefit.

Two Minnesotans' Stories.

“Sarah” is 21 years old. In need of health insurance after leaving college, she filled out a form online for health insurance quotes. She was soon contacted by a company that told her it had “open enrollment” in an affordable health plan. The salesman told her that it could only accept a limited number of new enrollees and that space was filling up fast. The salesman also told her the company would pay 80 percent of her expenses, and she would pay the remaining 20 percent. Sarah agreed to purchase the plan, paying \$259 on her credit card for the initial enrollment fee and the first month’s premium. When Sarah got the written materials in the mail, she discovered that the plan was not what was described over the phone—it was not health insurance at all, but simply a “health discount plan” that offered limited discounts from the prices normally charged by some doctors. The company would not refund her money, even though she explained that she was misled.

“Marguerite” is 93 years old. She received a postcard from a company advertising that it provided affordable, long-term home care services, and she returned a response card for more information. A salesman came to her home shortly thereafter. She paid the company \$3,000 for an “agreement” that it would cover her home care services. After she was unable to get the company to return her calls, she asked for a refund. The company would only make a partial refund, and Marguerite—who lives on a fixed income—is out \$1,250.

High health care costs create opportunities for scammers.

Some companies take advantage of citizens struggling with the high cost of health care by offering products that sound good but don’t provide much benefit.

Health discount plans.

Numerous companies aggressively call, fax, write, and email citizens offering so-called “health discount plans.” They promise extensive benefits at an affordable price. A health discount plan is not an insurance policy and does not provide insurance protection or coverage; instead, it simply purports to offer discounts from the retail price charged by certain doctors and clinics. A health discount plan is not licensed or regulated by the State of Minnesota and does not cover claims or pay doctors.

Marketers of health discount plans may entice people into signing up by falsely claiming that their “plan” is insurance or “just like” insurance. They may falsely claim that the plan offers “80/20” coverage, minimum co-pays or deductibles, or an extended network of clinics and physicians. In reality, a health discount plan does not pay your doctor, clinic or hospital for your bills and cannot legally insure you for health care expenses. At

best, a health discount plan may offer limited discounts off the retail price charged by some doctors or clinics.

Citizens have complained to the Attorney General's Office that health discount plans pressured them to enroll by claiming that the affordable monthly rate was only available for a limited period of time or by making misleading statements in a sales call. Other citizens have complained that the discounts supposedly available under the plan were not available for their doctor or clinic—even though they were told they were during the sales call. Other citizens have complained that they thought they were signing up for insurance coverage, while others complain that the plan dramatically overstated the savings that were supposedly available.

The bottom line for consumers is this: health discount plans are not licensed, are not regulated, and do not provide insurance coverage or insurance-like benefits.

Home health or long-term care plans.

Other non-insurance “programs” target senior citizens concerned about the high cost of home health care or long-term care. These programs may use scare tactics, telling the senior citizen that he/she could lose their home or run out of money if they need home health care or nursing home care. These marketers may tell the senior citizen they have an affordable solution and then sell the senior a non-insurance product that offers little or no benefits and no financial protection. Remember: under Minnesota law, only a licensed insurance company and agent can sell you an insurance policy. If the company is not licensed, it cannot legally insure your claims.

Prescription drug discount plans.

Like a health discount plan, a prescription drug discount plan is not an insurance policy; instead, it merely offers, at best, supposed discounts off the cost of prescription drugs. Some citizens have complained that these plans provide limited networks and little benefits. Some drug discount card promoters target senior citizens for whom Medicare does not provide full coverage. In some cases, consumers who were pitched drug plans have been duped into providing their bank information over the phone, only to be charged for unwanted products.

Before you buy.

If you've been approached about buying a health discount plan or other unlicensed products, do your homework and remember these tips:

1. **Is the company licensed?** Insurance policies may only be sold by an insurance company that is licensed by the Minnesota Department of Commerce. An insurance agent who sells an insurance policy must also be licensed by the Department of Commerce. Before you buy, call the Commerce Department at 651-539-1500 to find out if the company and agent are properly licensed. An unlicensed plan is not insurance and does not offer you the financial protection of an insurance policy.
2. **Read the plan before you buy it.** Some companies pull a “bait and switch” on the consumer. They make all kinds of promises about the supposed benefits of the plan on the phone and then send you written materials describing the actual terms only *after* you allow your account to be charged for an enrollment fee or monthly fee. These companies may then refuse to make refunds after you discover you were misled. Do not do business with any company that won't send you the written materials to review before you buy.
3. **Walk away if they say “time is running out.”** Beware of plans that push for quick sales. For example, the salesperson may tell you that the current monthly fee is only good for a limited period of time or that the company is only allowed to sell to a few more customers in the state. Walk away from companies that try to pressure you to buy without doing your homework by telling you that you'll lose the “deal” if you don't accept it on the spot.
4. **Beware of empty promises.** Sellers of health discount or other non-insurance plans mislead some citizens by using words that sound like an insurance policy; for example, they may call the monthly payment a “premium” or may talk about deductibles or co-pays. Some citizens purchased a health discount plan because they were told it was an “insurance plan” or “just like” an insurance policy or that it had a broad network of doctors. It

is against the law for a health discount plan or non-licensed company to insure or take responsibility for paying your health claims—the best they can do is offer limited discounts at certain doctors. In some cases, the “plan” or “policy” being sold may not even exist.

5. **Watch the price.** With health insurance premiums skyrocketing, many people struggle to find affordable insurance coverage. Health discount plans and other non-insurance plans capitalize on these high costs by offering supposed “coverage” that sounds affordable. There is a reason their prices are lower than a real health insurance policy: they don’t provide insurance coverage, are not regulated, and don’t offer you real financial protection.
6. **Promises about networks and savings.** Some health discount plans try to lure in consumers by promising a broad network of doctors, hospitals, and clinics. Some citizens have found it difficult to find providers willing to accept their health discount card, however. Other citizens say that they purchased a health discount plan because they were promised “savings” of 60, 70, or 80 percent—when they actually saved little or nothing.
7. **Check out other available plans.** The State of Minnesota has certain programs available to provide health coverage to Minnesotans. For example, MinnesotaCare offers health care coverage to Minnesota citizens who meet certain income and asset requirements. The program is administered by county human services agencies, which you may contact directly. More information about MinnesotaCare is available online at www.minnesotacare411.com or by calling 651-297-3862 or 800-657-3672.

In addition, the Minnesota Comprehensive Health Association (MCHA) is a high-risk health plan available to citizens who are turned down for coverage in the private marketplace due to a preexisting condition. More information about MCHA is available online at www.mchamn.com or by calling 866-894-8053.

If you have a question or want to file a consumer complaint about a health care matter, you may contact the Office of Minnesota Attorney General Lori Swanson as follows:

Office of Minnesota Attorney General

Lori Swanson

445 Minnesota Street, Suite 1400

St. Paul, MN 55101

651-296-3353 or 800-657-3787

TTY: 651-297-7206 or 800-366-4812

www.ag.state.mn.us

To find out if an insurance company or insurance sales agent is licensed by the State of Minnesota, contact the Minnesota Department of Commerce as follows:

Department of Commerce

Market Assurance Division

85 East Seventh Place, Suite 500

St. Paul, MN 55101

651-539-1500

www.commerce.state.mn.us